



Agenda Date: 4/25/01
Agenda Item: 3C

STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

CABLE TELEVISION

IN THE MATTER OF CERTAIN NEW)	ORDER ACCEPTING
JERSEY CABLE TELEVISION OPERATING))	STIPULATION OF SETTLEMENT
SUBSIDIARIES OF COMCAST CABLE)	
COMMUNICATIONS, INC)	BPU DOCKET NO. CO01030177

(SERVICE LIST ATTACHED)

BY THE BOARD:

This matter concerns the proposed acceptance of a Stipulation of Settlement on rates entered into by Comcast Cable Communications, Inc. ("Comcast") on behalf of eleven of its New Jersey cable television operating subsidiaries¹, the Division of the Ratepayer Advocate ("RPA") and Board Staff (collectively "the Parties") resolving an outstanding dispute involving Comcast's 1996 Select Package offering.

BACKGROUND

In 1996, Comcast sent solicitations in some or all of the eleven New Jersey cable television operating subsidiaries ("the Subsidiaries") that are parties to the Stipulation of Settlement to customers ("the Subscribers"), who also subscribed to one of a series of optional service packages (Comcast Select, Comcast Select Deluxe, Comcast Starz! Deluxe, and Comcast Select Supreme), which included a contract whereby in return for agreeing to continue to receive the services in their respective packages through December 31, 1996, the customer's monthly rates would not increase more than 5% during any succeeding calendar year. The Select Package offerings included a combination of cable services and equipment at rates ranging from \$44.95 to \$76.95 per month. The packages were marketed under the name "Comcast Select Package" and included such services as basic (B1) service, expanded basic (B2 Tier) channels, a cable converter and remote, Comcast's "Cableguard" optional wire maintenance plan, all or some of a group of premium cable channels (The Movie Channel, HBO, HBO2, HBO Family, Cinemax, Showtime, Showtime2, Starz!, Encore, Disney and Sportschannel), and a free or discounted copy of the monthly Cable Guide.

Subscribers, who entered into the agreement, but discontinued or downgraded their "Select

¹ Comcast Cablevision of New Jersey, Inc., Comcast Cablevision of Monmouth County, Inc., Comcast Cablevision of Ocean County, Inc., Comcast Cablevision of Burlington County, Inc., Comcast Cablevision of Gloucester County, Inc., Comcast Cablevision of the Plainfields, Inc., Comcast Cablevision of Mercer County, Inc., Comcast Cablevision of Central New Jersey, Inc., Comcast Cablevision of Jersey City, Inc., Comcast Cablevision of the Meadowlands, Inc., Comcast Cablevision of Northwest New Jersey, Inc.

Package” group offering before December 31, 1996, agreed to reimburse Comcast the cost of a normal installation or upgrade cost, which had been discounted at the time of installation, plus \$5.00 for every full month remaining under the agreement. The agreement also contained an “evergreen” type clause whereby the Select Package would continue into each succeeding year at the new monthly rate, include any charges for early cancellation outlined in the agreement, unless customers notified Comcast by December 1, 1996 of their intention to discontinue the arrangement.

Subsequently, in December 1999, Comcast sent notices to its Select Package subscribers stating that due to increased costs for programming, it could no longer limit future rate changes to 5% on their programming packages. Subscribers were advised that the monthly rates for the various Select Packages would increase in 2000 by 6.4%.

This matter initially came to the Board’s attention when the Office of Cable Television (“OCTV”) received a complaint on November 21, 1997 from a customer of Comcast Cablevision of Central New Jersey, Inc. that Comcast’s notice of the new rate for Select Package services for 1998 did not honor the 5% rate cap provided by their customer’s contract agreements with the company. That complaint also involved the deletion of the Prism channel, which ceased its operations on September 30, 1997. Although its Select Package agreements included a provision that the company could substitute like or equal service for any of the premium services in the package, Comcast maintained that the loss of Prism forced it to dissolve its existing Select Package agreements. At that time, Comcast represented that there were no longer any subscribers with these packages in the system and no other rate guarantees. The customer complaint was resolved through an agreement between Comcast and the customer for a different package arrangement, also with a 5% rate cap, on a grandfathered basis, i.e., until the customer changed the package or cancelled service.

DISCUSSION

Thereafter, on January 16, 2000, the OCTV received another customer complaint, which included the above referenced December 1999 notice indicating that Comcast would no longer be continuing the 5% cap arrangement for future rate adjustments.

Initially, the OCTV treated the matter as an enforcement issue and informed Comcast of the Staff’s expectation that the company honor its original agreement. Comcast, in January 2001, proposed an alternative, which it believed would fairly compensate subscribers for the difference between the 5% covered in the agreement and the 6.4% that rates were increased, i.e., to provide them with three (3) free movie events per year currently priced at \$3.99 each for the remaining time they subscribe to the Select Package.

Inasmuch as this proposal involved a new rate agreement, which affected the company’s subscribers, the OCTV informed Comcast that any discussions concerning a proposed settlement of the matter would require the immediate involvement of the RPA.

The RPA, like Staff, initially believed that the Select Package agreements placed valid contractual obligations on Comcast that it could not unilaterally dispose of through a claim of

increased costs, which were clearly foreseeable at the time it entered into the arrangements with its subscribers. Also, like Staff, the RPA believed that any substitute arrangement would, by necessity, require that the subscriber receive a benefit of equal or greater value to that lost through Comcast's failure to maintain the 5% rate cap provision (currently equal to approximately \$7.00 per year, per customer affected).

In an effort to resolve the matter, the parties engaged in settlement discussions, ultimately reaching agreement as outlined in the attached Stipulation of Settlement ("Stipulation"). The pertinent parts of the Stipulation, which was executed on April 10, 2001, are summarized as follows:

1. The Subsidiaries will provide to each of the Subscribers (of the 1996 Select Package) three (3) Pay-Per-View movies free of charge for each and every calendar year, beginning 2001, during which the Subscriber continues to subscribe to the 1996 Select Package. The three Pay-Per-View movies will be provided by giving the Subscribers a credit for their first three Pay-Per-View movie purchases during each such year. Any unused benefits (i.e., should a subscriber not utilize all three free movies) shall be carried over to the following year, until the Subscriber no longer subscribes to the 1996 Select Package, after which no further free movies shall be provided.
2. Within 90 days of the date of this Order the Subsidiaries will identify all of the Subscribers who shall be entitled to the benefits under the Stipulation of Settlement, and within 120 days of the date of this Order, provide to the Subscribers a letter notifying them of the agreement set forth in the Stipulation of Settlement.
3. The Stipulation of Settlement resolves any and all issues raised or which could have been raised by any party, whether known or not, relating to the subject matter of the Stipulation of Settlement.

The Board has reviewed the Stipulation of Settlement and FINDS it to be reasonable, in the public interest and in accordance with the law. Therefore, the Board HEREBY ACCEPTS the Stipulation of Settlement (attached hereto) as its own, incorporating by reference the terms and conditions therein as if fully set forth at length herein.

In conjunction with its acceptance of the Stipulation of Settlement, the Board HEREBY ORDERS that the acceptance of the Stipulation of Settlement is limited to the 1996 Select Package agreements referenced in the Stipulation of Settlement only, and should not be viewed as

the Board's position on similar or other agreements between cable companies and their customers. The Board FURTHER ORDERS that the actions taken herein do not, in any way, abrogate, supersede or otherwise relieve Comcast or the Subsidiaries of any obligations or

requirements arising out of any similar agreements between Comcast, the Subsidiaries and their subscribers.

DATED: April 27, 2001

BOARD OF PUBLIC UTILITIES
BY:

(signed)

CAROL J. MURPHY
ACTING PRESIDENT

(signed)

FREDERICK F. BUTLER
COMMISSIONER

ATTEST:

(signed)

FRANCES L. SMITH
BOARD SECRETARY

**IN THE MATTER OF CERTAIN NEW JERSEY CABLE TELEVISION OPERATING
SUBSIDIARIES OF COMCAST CABLE COMMUNICATIONS, INC. CONCERNING
THEIR OFFERING OF THE 1996 SELECT PACKAGE**

Docket No. CO01030177

Dennis C. Linken, Esq.
Stryker, Tams & Dill, LLP
Two Penn Plaza
Newark, NJ 07105

William H. Furlong, Chief
Bureau of Inspection & Enforcement
Office of Cable Television
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Celeste M. Fasone, Director
Office of Cable Television
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

David Lanigan
Amy Drummond
Office of Cable Television
Board of Public Utilities
2 Gateway Center
Newark, NJ 07102

Charles A. Russell, Esq.
Deputy Director
Office of Cable Television
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Elana Shapochnikov, Esq.
Division of the Ratepayer Advocate
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, NJ 07101

Joseph Haldusiewicz, Esq.
Deputy Attorney General
State of New Jersey
Division of Law
124 Halsey Street
Newark, NJ 07102

David Briedinger, Vice President
Government Relations
Comcast Cable Communications, Inc.
122 West State Street
Trenton, New Jersey 08618